

TOWN OF LIVONIA, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2013

TOWN OF LIVONIA, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (TOWN)** as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and Exhibits B, B-1, C and C-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2014 on our consideration of the **TOWN OF LIVONIA, LOUISIANA**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
May 22, 2014

TOWN OF LIVONIA, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The Town of Livonia's (Town) financial performance provides an overview of the Town's financial activities for the year ended December 31, 2013. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2013, the Town of Livonia experienced a decrease in governmental revenues (21%) relative to the prior year, while governmental expenses increased (4%) from the prior year. The utility fund revenues decreased (17%) due to a decrease in utility consumption and a decrease in capital grants awarded to fund water and gas system improvements.

The major financial highlights for 2013 are as follows:

Government-wide financial statements

- Assets of the Town's primary government exceeded its liabilities at the close of the year by \$4.9 million (net position). Of this amount, \$1.1 million (unrestricted net position) may be used without restrictions to meet the Town's ongoing obligations to citizens and creditors.
- The primary government's total net position decreased by \$218,000 during 2013.
- Governmental activities' net position decreased by \$170,000.
- Business-type total net position decreased by \$48,000.

Governmental Funds financial statements

- As of the end of the year, the primary government's governmental funds reported a fund balance of \$1.5 million, a decrease of \$86,000 in comparison to the prior year. Approximately 36% of the fund balance is assigned for purposes (\$525,000) relating to recreation and municipal complex construction.

Significant aspects of the Town's financial well being, as of and for the year ended December 31, 2013, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The Town's financial statements focus on the government as a whole and on major individual funds. Both government-wide and fund perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year, and enhance the Town's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

Fund financial statements start on page 14. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

The Town's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the Town as a Whole

The financial statements of the Town as a whole begin on page 12. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and its activities in a way to determine if the Town is in better condition, compared to the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the Town's net position and related changes. The Town's financial health, or financial position, can be measured by its net position—the difference between assets and liabilities. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the Town's operations are divided into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including public safety, highway and streets, culture and recreation, and general administration. Property and sales taxes, franchise fees and fines finance most of these activities.

Business-type activities - the Town charges a fee to customers to fund the cost of the gas, water, and sewer services it provides. The business-type activities have historically generated an operating surplus.

At December 31, 2013, the Town's net position was \$4.9 million, of which \$1.1 million was unrestricted. Restricted net position is reported separately to show legal constraints from legislation that limits the Town's ability to use that net position for day-to-day operations.

The analysis of the primary government focuses on the net position and change in net position of the Town's governmental activities and business-type activities is as follows:

Town of Livonia, Louisiana Statements of Net Position December 31, 2013 and 2012 (in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,541	\$ 1,615	\$ 479	\$ 398	\$ 2,020	\$ 2,013
Capital assets	1,480	1,563	5,317	4,377	6,797	5,940
Total assets	<u>3,021</u>	<u>3,178</u>	<u>5,796</u>	<u>4,775</u>	<u>8,817</u>	<u>7,953</u>
Current and other liabilities	55	42	508	1,289	563	1,331
Long-term liabilities	-	-	3,313	1,463	3,313	1,463
Total liabilities	<u>55</u>	<u>42</u>	<u>3,821</u>	<u>2,752</u>	<u>3,876</u>	<u>2,794</u>
Net position:						
Net investment in						
capital assets	1,480	1,563	1,623	1,723	6,797	5,940
Restricted	526	479	226	132	752	611
Unrestricted	960	1,094	126	168	1,086	1,262
Total net position	<u>\$ 2,966</u>	<u>\$ 3,136</u>	<u>\$ 1,975</u>	<u>\$ 2,023</u>	<u>\$ 4,941</u>	<u>\$ 5,159</u>

Net position of the Town's governmental activities decreased by 5% or \$170,000 during 2012. Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The \$960,000 in unrestricted net position of governmental activities represents the accumulated results of operations. The changes in net position are discussed later in this analysis. The net position of the Town's business activities decreased by \$48,000 during 2013. The Town has historically operated gas and water services, although the Town completed construction of a sewer collection and treatment system in 2013.

The results of 2013 and 2012 operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

<p style="text-align: center;">Town of Livonia Changes in Net Position For the years ended December 31, 2013 and 2012 (in thousands)</p>						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program:						
Charges for services	\$ 617	\$ 659	\$ 380	\$ 410	\$ 997	\$ 1,069
Operating grants	42	57	-	4	42	61
Capital grants	4	226	23	70	27	296
General:						
Sales taxes	279	288	-	-	279	288
Video poker taxes	95	117	-	-	95	117
Franchise taxes	70	64	-	-	70	64
Ad valorem taxes	38	38	-	-	38	38
Other	10	12	-	-	10	12
Total revenues	<u>1,155</u>	<u>1,461</u>	<u>403</u>	<u>484</u>	<u>1,558</u>	<u>1,945</u>
Functions/Program Expenses:						
General government	176	171	-	-	176	171
Public safety	757	742	-	-	757	742
Highway and streets	211	200	-	-	211	200
Health and welfare	2	2	-	-	2	2
Culture and recreation	59	49	-	-	59	49
Utility operations	-	-	571	494	571	494
Total expenses	<u>1,205</u>	<u>1,164</u>	<u>571</u>	<u>494</u>	<u>1,776</u>	<u>1,658</u>
Increase in net position before transfers	(50)	297	(168)	(10)	(218)	287
Transfers	<u>(120)</u>	<u>(30)</u>	<u>120</u>	<u>30</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(170)	267	(48)	20	(218)	287
Beginning net position	<u>3,136</u>	<u>2,869</u>	<u>2,023</u>	<u>2,003</u>	<u>5,159</u>	<u>4,872</u>
Ending net position	<u>\$ 2,966</u>	<u>\$ 3,136</u>	<u>\$ 1,975</u>	<u>\$ 2,023</u>	<u>\$ 4,941</u>	<u>\$ 5,159</u>

The decrease in net position of \$218,000 is primarily attributable to the decrease in capital and operating grants, and charges for services in 2013. The Town also experienced an increase in public safety and utility operations expenses.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Town's Most Significant Funds

The analysis of the Town's major funds begins on page 14 with the fund financial statements that provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the Town's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the Town. The Town has three governmental funds, which are the General Fund, the Municipal Complex Construction Fund and the Parks and Recreation Fund.

Proprietary funds—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund (Public Utility Fund) is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Town uses an internal service fund (the other component of proprietary funds) to report activities that provide services to the Town's other programs and activities. The Medical Reimbursement Fund is presented in the proprietary fund financial statements, and included in the governmental activities in the Statement of Net Position and Statement of Activities.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the Town's budgetary funds.

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund, Special Revenue Funds, and Capital Project Funds. The focus of these funds, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. The following is a summary of general governmental operations for 2013 by fund type:

	(in thousands)			
	General Fund	Capital Project Funds	2013 Total	2012 Total
Revenues and transfers in	\$ 1,141	\$ 73	\$ 1,214	\$ 1,330
Expenditures and transfers out	<u>1,273</u>	<u>27</u>	<u>1,300</u>	<u>1,192</u>
Net change in fund balance	(132)	46	(86)	138
Fund balance - beginning	<u>1,084</u>	<u>479</u>	<u>1,563</u>	<u>1,425</u>
Fund balance - ending	<u>\$ 952</u>	<u>\$ 525</u>	<u>\$ 1,477</u>	<u>\$ 1,563</u>

The Town's governmental funds experienced a decrease in fund balance of \$86,000 during 2013 that primarily related to a decrease in intergovernmental and fine revenue, compared to the prior year. At year end, fund balances were \$1.5 million, of which \$952,000 is unassigned and available for utilization at the Town's discretion.

The General Fund is the primary operating fund of the Town. At the end of the year, fund balance of the General Fund was \$952,000 compared to the fund balance of \$1,084,000 in 2012. This decrease in fund balance resulted from the decrease in revenues referred to above, as well as an increase in transfers out to the Public Utility Fund for debt service requirements, of \$120,000.

The Town's other major funds are the Municipal Complex Construction Fund and the Parks and Recreation Fund capital project funds. The fund balance of the Municipal Complex Construction Fund, and Parks and Recreation Fund increased by \$46,000 during 2013, collectively, which was primarily the result of transfers in from the General Fund of \$65,000.

Sources of governmental revenues, excluding other financing sources, are summarized below.

<u>Source of Revenue</u>	(In thousands)			
	2013		2012	
Taxes	\$	390 34%	\$	393 31%
Intergovernmental		137 12%		199 16%
Licenses and permits		78 7%		73 6%
Fines		519 45%		567 45%
Miscellaneous		20 2%		20 2%
Total	\$	1,144 100%	\$	1,252 100%

Revenues of the primary government for governmental fund types for 2013 totaled \$1.1 million, representing a 9% decrease in revenues from the previous year. As noted above, the Town's activities are largely supported by fines and taxes, which represent 79% of total governmental resources.

Expenditures of the primary government increased in 2013 by \$24,000 or 2%. Governmental expenditures by functions are summarized as follows:

<u>Function</u>	(In thousands)			
	2013		2012	
General government	\$	158 14%	\$	149 14%
Public safety		706 63%		689 63%
Highways and streets		180 16%		169 15%
Culture and recreation		21 2%		17 2%
Health and welfare		2 1%		1 1%
Capital outlay		49 4%		67 5%
Total	\$	1,116 100%	\$	1,092 100%

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town's General Fund budget was amended which is a customary practice of the Town for changes that occur with financial matters. The most significant changes during 2013 were as follows:

- A decrease in sales tax revenue of \$22,000,
- A decrease in video poker revenue of \$35,000
- A decrease in traffic fine revenue of \$75,000,
- A decrease in intergovernmental grants and the corresponding capital outlay expenditures of \$127,000, for highways and streets' Gateway Enhancement Project.

With these adjustments, the actual revenues were \$14,000 less than the related final budget amounts of \$1.2 million, and charges to appropriations (expenditures) were \$35,000 less than the related final budget appropriation of \$1.1 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the Town had \$6.8 million invested in a broad range of capital assets, including vehicles, computer equipment, office furniture, land, buildings, water and gas distribution systems, and a sewer treatment facility. This amount represents a net increase of \$857,000, or 14%, over the prior year. The increase primarily relates to the construction of a sewer system.

	(in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 131	\$ 131	\$ 36	\$ 36	\$ 167	\$ 167
Construction in process	6	8	17	2,751	23	2,759
Buildings	467	475	50	53	517	528
Infrastructure	650	692	-	-	650	692
Furniture and equipment	103	116	6	11	109	127
Vehicles	102	109	-	-	102	109
Tractors	21	32	-	-	21	32
Utility systems	-	-	5,208	1,526	5,208	1,526
Total assets, net of depreciation	<u>\$ 1,480</u>	<u>\$ 1,563</u>	<u>\$ 5,317</u>	<u>\$ 4,377</u>	<u>\$ 6,797</u>	<u>\$ 5,940</u>

The Town elected to capitalize infrastructure assets on a prospective basis as a Phase 3 government, which is provided by GASB No. 34. More detailed information about the Town's capital assets is presented in Note 6 to the financial statements.

Debt

At the end of 2013, the Town had \$3.5 million in debt outstanding related to the ongoing sewer construction project, compared to \$1.5 million at the end of 2012, an increase of \$2 million, as shown below:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year
Sewer construction bonds	\$ 1,462,947	\$ 2,018,752	\$ -	\$ 3,481,699

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget and tax rates. One of those factors is the local economy. The major economic industries in the surrounding area are agriculture and manufacturing.

An important factor affecting the budget is the Town's fines and forfeitures revenue that approximate 40% of budgeted revenue in the governmental funds. The Town budgeted an increase in overall revenue of \$392,000 compared to actual results for the current year. The increase relates to an increase in taxes and grant funding to be received from other governments for public works capital projects. Additionally, the Town is projecting an increase in expenditures of \$339,000 compared to the current year that relates primarily to scheduled capital outlay expenditures in the governmental funds. If these estimates are realized during 2014, the Town's budgetary fund balances will increase by \$84,000, as compared to a decrease of \$86,000 during 2013.

Contacting the Town's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show accountability for the money the Town receives. Questions about this report or need additional financial information, contact the Town's Finance Office at (225) 637-2981 or P.O. Box 307, Livonia, LA 70755.

BASIC FINANCIAL STATEMENTS

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF NET POSITION

December 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,436,322	\$ 159,764	\$ 1,596,086
Accounts receivable, net	54,433	70,559	124,992
Prepaid insurance and other assets	150	450	600
Internal balances	34,969	(34,969)	-
Due from other governments	14,757	1,406	16,163
Restricted assets:			
Utility deposits	-	55,630	55,630
Debt service reserves	-	225,972	225,972
Capital assets:			
Nondepreciable	136,563	53,069	189,632
Depreciable, net	1,343,807	5,263,797	6,607,604
 Total assets	 \$ 3,021,001	 \$ 5,795,678	 \$ 8,816,679
LIABILITIES			
Accounts payable and accrued liabilities	\$ 35,568	\$ 71,163	\$ 106,731
Contracts payable	-	211,951	211,951
Due to other governments	19,696	-	19,696
Payable from restricted assets	-	55,630	55,630
Long-term payables			
Due within one year	-	169,000	169,000
Due in more than one year	-	3,312,699	3,312,699
 Total liabilities	 55,264	 3,820,443	 3,875,707
NET POSITION			
Net investment in capital assets	1,480,370	1,623,216	3,103,586
Restricted for:			
Culture and recreation	2,112	-	2,112
Capital projects	523,090	-	523,090
Debt service	-	225,972	225,972
Unrestricted	960,165	126,047	1,086,212
 Total net position	 2,965,737	 1,975,235	 4,940,972
 Total liabilities and net position	 \$ 3,021,001	 \$ 5,795,678	 \$ 8,816,679

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

STATEMENT OF ACTIVITIES

For the year ended December 31, 2013

	Program Revenues				Net Revenue (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 175,764	\$ 87,084	\$ -	\$ -	\$ (88,680)	\$ -	\$ (88,680)
Public safety	757,115	518,432	42,200	3,772	(192,711)	-	(192,711)
Highway and streets	210,668	-	-	-	(210,668)	-	(210,668)
Health and welfare	1,577	3,309	-	-	1,732	-	1,732
Culture and recreation	59,080	7,935	-	-	(51,145)	-	(51,145)
Total governmental activities	1,204,204	616,760	42,200	3,772	(541,472)	-	(541,472)
Business-type activities:							
Utility operations	571,080	380,106	-	22,710	-	(168,264)	(168,264)
Total primary government	\$ 1,775,284	\$ 996,866	\$ 42,200	\$ 26,482	(541,472)	(168,264)	(709,736)
General revenues:							
Taxes:							
Sales					279,146	-	279,146
Video poker					95,121	-	95,121
Franchise					69,886	-	69,886
Ad valorem					37,693	-	37,693
Beer					3,675	-	3,675
Investment earnings					998	-	998
Gain on sale of capital assets					5,000	-	5,000
Transfers					(120,000)	120,000	-
Total general revenues					371,519	120,000	491,519
Change in net position					(169,953)	(48,264)	(218,217)
Net position - beginning of year					3,135,690	2,023,499	5,159,189
Net position - end of year					\$ 2,965,737	\$ 1,975,235	\$ 4,940,972

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2013

	General Fund	Municipal Complex Construction	Parks and Recreation	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 899,792	\$ 523,090	\$ 3,562	\$ 1,426,444
Accounts receivable, net	54,333	-	100	54,433
Other assets	-	-	150	150
Due from Utility Fund	34,969	-	-	34,969
Due from other governments	14,757	-	-	14,757
Total assets	<u>\$ 1,003,851</u>	<u>\$ 523,090</u>	<u>\$ 3,812</u>	<u>\$ 1,530,753</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 32,485	\$ -	\$ 1,700	\$ 34,185
Due to other governments	19,696	-	-	19,696
Total liabilities	<u>52,181</u>	<u>-</u>	<u>1,700</u>	<u>53,881</u>
FUND BALANCE				
Assigned	-	523,090	2,112	525,202
Unassigned	951,670	-	-	951,670
Total fund balance	<u>951,670</u>	<u>523,090</u>	<u>2,112</u>	<u>1,476,872</u>
Total liabilities and fund balance	<u>\$ 1,003,851</u>	<u>\$ 523,090</u>	<u>\$ 3,812</u>	<u>\$ 1,530,753</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

December 31, 2013

Total net assets reported for governmental activities in the statement of net position is different because:

Total fund balances - governmental funds (Exhibit A-2)	\$ 1,476,872
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation.	1,480,370
Internal service funds used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>8,495</u>
Net position of governmental activities (Exhibit A)	<u>\$ 2,965,737</u>

TOWN OF LIVONIA, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended December 31, 2013

	General Fund	Municipal Complex Construction	Parks and Recreation	Total Governmental Funds
REVENUES				
Taxes:				
Sales and use	\$ 279,146	\$ -	\$ -	\$ 279,146
Video poker	95,121	-	-	95,121
Franchise	69,886	-	-	69,886
Ad valorem	37,693	-	-	37,693
Beer	3,675	-	-	3,675
Fines	518,432	-	-	518,432
License and permits	78,229	-	-	78,229
Intergovernmental	42,200	-	-	42,200
Charges for services	11,164	-	7,935	19,099
Investment income	697	276	8	981
	<u>1,136,243</u>	<u>276</u>	<u>7,943</u>	<u>1,144,462</u>
Total revenues				
	<u>1,136,243</u>	<u>276</u>	<u>7,943</u>	<u>1,144,462</u>
EXPENDITURES				
Current function:				
General government	157,715	-	-	157,715
Public safety	705,719	-	-	705,719
Highways and streets	180,456	-	-	180,456
Health and welfare	1,577	-	-	1,577
Culture and recreation	-	-	20,612	20,612
Capital outlay	42,903	-	6,565	49,468
	<u>1,088,370</u>	<u>-</u>	<u>27,177</u>	<u>1,115,547</u>
Total expenditures				
	<u>1,088,370</u>	<u>-</u>	<u>27,177</u>	<u>1,115,547</u>
Excess (deficiency) of revenues over expenditures	<u>47,873</u>	<u>276</u>	<u>(19,234)</u>	<u>28,915</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	-	-	5,000
Proceeds from insurance claims	425	-	-	425
Transfers in	-	50,000	15,000	65,000
Transfers out	(185,000)	-	-	(185,000)
	<u>(179,575)</u>	<u>50,000</u>	<u>15,000</u>	<u>(114,575)</u>
Total other financing sources (uses)				
	<u>(179,575)</u>	<u>50,000</u>	<u>15,000</u>	<u>(114,575)</u>
Net change in fund balance	<u>(131,702)</u>	<u>50,276</u>	<u>(4,234)</u>	<u>(85,660)</u>
FUND BALANCE				
Beginning of year	<u>1,083,372</u>	<u>472,814</u>	<u>6,346</u>	<u>1,562,532</u>
End of year	<u>\$ 951,670</u>	<u>\$ 523,090</u>	<u>\$ 2,112</u>	<u>\$ 1,476,872</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2013

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental funds (Exhibit A-4)	\$	(85,660)
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.

Capital outlay	49,468		
Depreciation expense	<u>(136,140)</u>		(86,672)

The net effect of various transactions involving capital assets, such as sales, trade-ins, and donations, is to increase net position.

Donated assets	3,772		
Proceeds from sale of assets	(5,000)		
Gain on sale of assets	<u>5,000</u>		3,772

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of the internal service fund are included in governmental activities in the statement of net position.

(1,393)

Change in net position of governmental activities (Exhibit A-1)	\$	<u>(169,953)</u>
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TOWN OF LIVONIA, LOUISIANA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2013

	Public Utility Fund - Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 159,764	\$ 9,878
Accounts receivable, net	70,559	-
Other assets	450	-
Due from other governments	1,406	-
Total current assets	232,179	9,878
Restricted assets:		
Utility deposits	55,630	-
Debt service reserves	225,972	-
Capital assets:		
Nondepreciable	53,069	-
Depreciable, net	5,263,797	-
Total assets	\$ 5,830,647	\$ 9,878
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 71,163	\$ 1,383
Contracts payable	211,951	-
Due to General Fund	34,969	-
Payable from restricted assets	55,630	-
Total current liabilities	373,713	1,383
Non-current liabilities:		
Bonds payable		
Due within one year	169,000	-
Due in more than one year	3,312,699	-
Total liabilities	3,855,412	1,383
NET POSITION		
Net investment in capital assets	1,623,216	-
Restricted for debt service	225,972	-
Unrestricted	126,047	8,495
Total net position	1,975,235	8,495
Total liabilities and net position	\$ 5,830,647	\$ 9,878

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended December 31, 2013

	Public Utility Fund - Enterprise Fund	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Charges for services:		
Water	\$ 196,775	\$ -
Natural gas	157,083	-
Sewer	2,194	-
Other	24,054	4,417
	<u>380,106</u>	<u>4,417</u>
Total operating revenues		
	<u>380,106</u>	<u>4,417</u>
OPERATING EXPENSES		
Personnel	192,673	-
Depreciation	141,399	-
Maintenance and supplies	81,286	-
Natural gas purchases	67,093	-
General and administrative	38,452	-
Insurance premiums	29,142	-
Professional services	14,053	-
Rent and utilities	6,982	-
Insurance claims	-	5,827
	<u>571,080</u>	<u>5,827</u>
Total operating expenses		
	<u>571,080</u>	<u>5,827</u>
Operating loss	(190,974)	(1,410)
	<u>(190,974)</u>	<u>(1,410)</u>
NONOPERATING REVENUES		
Capital grants and contributions	22,710	-
Interest	-	17
	<u>22,710</u>	<u>17</u>
Total nonoperating revenues		
	<u>22,710</u>	<u>17</u>
Loss before transfers	(168,264)	(1,393)
	<u>(168,264)</u>	<u>(1,393)</u>
OTHER FINANCING SOURCES		
Transfers in	120,000	-
	<u>120,000</u>	<u>-</u>
Net income	(48,264)	(1,393)
	<u>(48,264)</u>	<u>(1,393)</u>
NET POSITION		
Beginning of year	2,023,499	9,888
	<u>2,023,499</u>	<u>9,888</u>
End of year	\$ 1,975,235	\$ 8,495
	<u>\$ 1,975,235</u>	<u>\$ 8,495</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the year ended December 31, 2013

	Public Utility Fund - Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 363,624	\$ 4,417
Payments to suppliers	(206,764)	(5,657)
Payment to employees	(192,673)	-
Net cash used by operating activities	(35,813)	(1,240)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Increase in customer deposits	(5,295)	-
Transfers in from other funds	120,000	-
Net cash provided by noncapital and related financing activities	114,705	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(2,059,663)	-
Increase in cash restricted for debt service	(93,972)	-
Proceeds from issuance of bonds	2,018,752	-
Capital grants	22,710	-
Net cash used by capital and related financing activities	(112,173)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	-	17
Net decrease in cash	(33,281)	(1,223)
CASH		
Beginning of period	193,045	11,101
End of period	\$ 159,764	\$ 9,878
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (190,974)	\$ (1,410)
Adjustments for non-cash items:		
Depreciation	141,399	-
Change in operating assets and liabilities:		
Accounts receivable and other assets	(14,714)	-
Accounts payable and accrued liabilities	28,476	170
Net cash used by operating activities	\$ (35,813)	\$ (1,240)

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The Town of Livonia was established in 1846, incorporated in 1960 and is a political subdivision of the State of Louisiana. The Town, under the provisions of the Lawrson Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works, health and welfare, and culture and recreation.

The financial statements of the Town of Livonia, Louisiana (Town) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant accounting policies established in GAAP and used by the Town are described below.

The Town follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant components in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations,
- Financial statements prepared using accrual basis accounting for all of the Town’s activities, including infrastructure (roads, bridges, etc.), and
- Fund financial statements to focus on the major funds.

Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, and where applicable (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The criteria for determining which component units should be considered part of the Town for financial reporting purposes are as follows:

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name;
- Whether the Town governing authority (the Council and/or Mayor) appoints a majority of board members of the potential component unit;
- Fiscal interdependency between the Town and the potential component unit;
- Imposition of will by the Town on the potential component unit; and
- Financial benefit/burden relationship between the Town and the potential component unit.

Based on criteria established by generally accepted accounting principles, these financial statements present the Town; there are no component units to be included either blended within the Town's funds or discretely presented in these financial statements.

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements of the primary government (the Town) and the fund financial statements (individual major funds). The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all non-fiduciary activities of the Town. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements distinguish between the governmental and business-type activities of the Town.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, fines, charges for services, and other nonexchange revenues.

Business type activities are financed in whole or part by fees charged to external parties for utility services provided. The Town's natural gas, sewer, and water services are classified as business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements. The Town does not have any non-major funds in 2013.

The daily operations of the Town continue to be organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Town (the General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the Town are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the Town:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Town does not have any special revenue funds.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). Capital projects funds that are considered major funds are the Municipal Complex Construction Fund, and the Parks and Recreation Fund. The Municipal Complex Construction Fund accounts for the revenues devoted to the development of a new municipal facility. The Parks and Recreation Fund accounts for the revenues used for the development and maintenance of the Town's parks and recreation activities.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types

Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Public Utilities Fund a major enterprise fund.

Internal Service Funds - Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis. The internal service fund totals are presented as part of the proprietary fund financial statements. Since the principal user of the internal service fund is the Town governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. Such interfund services provided and used between functions are not eliminated in the process of consolidation. To the extent possible, the costs of these services are reflected in the appropriate functional activity. The Town has one internal service fund, the Medical Reimbursement Fund that reimburses part of the Town employees' health insurance deductible.

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Program revenues for governmental activities include operating and capital grants, traffic fines, and occupational licenses and permits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services, fines and forfeitures, and most governmental revenues, are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the Town receives value without directly giving value in return, includes sales tax, ad valorem tax, federal and state grants. Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent after December 31st. The taxes are generally collected in December of the current year and January and February of the following year. Sales taxes are recorded when in the possession of the intermediary collecting agent and are recognized as revenue at that time and are subject to the availability criteria. Federal and state grants are recorded as revenue when the Town is entitled to the funds, generally corresponding to when grant related costs are incurred by the Town, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments, and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents for the Town includes the Louisiana Asset Management Pool (LAMP) account and each individual fund's operating cash accounts.

The investment policy of the Town is governed by state statutes that include depository and custodial contract provisions. The Town invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the Town has a custodial agreement. The Town primarily utilizes the LAMP to invest idle funds.

For purposes of the Statement of Cash Flows, liquid investments of the enterprise fund with a maturity of three months or less are considered to be cash equivalents.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$5,671 was recorded at December 31, 2013.

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The Public Utility Fund owed the General Fund \$34,969 at December 31, 2013.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Major capital outlays for capital assets and improvements are capitalized at the completion of construction projects.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Prior to the implementation of GASB No. 34, governmental funds' infrastructure assets were not capitalized. The Town has elected to capitalize infrastructure expenditures on a prospective basis.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	7-40 years
Infrastructure	15-40 years
Furniture and equipment	5-10 years
Vehicles	5-10 years
Tractors	5-10 years

Fund Financial Statements

In the fund financial statements fixed assets used in governmental fund operations are recorded as capital outlay expenditures of the governmental fund types when purchased. Capital assets used in proprietary fund operations are accounted for in the same manner as in government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Fund Financial Statements (Continued)

Property, plant and equipment used by the proprietary funds are stated at cost. Interest costs incurred during construction periods are capitalized. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	7-40 years
Utility systems	5-50 years
Machinery and equipment	3-10 years
Office furniture and equipment	10 years
Vehicles	5 years

Compensated Absences

The Town has the following policy relating to vacation and sick leave:

After six months of service, a full-time employee is eligible for 40 hours of vacation leave. Beginning in their third year of service, vacation leave is increased to 80 hours annually. Beginning in their six year of service, vacation leave is increased to 120 hours annually. After 10 years of service, vacation leave is increased to 160 hours annually. During the first year of service, an employee accrues sick leave at one-half day per month, or six working days a year. After their first year, employees earn sick leave at one day per month, or twelve days per year.

These benefits are non-cumulative and must be taken when earned. As a result, no liability is recorded in these financial statements for compensated absences.

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that is restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** – Amounts that can be used only for specific purposes determined by a formal action by Town council ordinance or resolution.
- **Assigned** – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- **Unassigned** – All amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to apply the expenditure in the following priority:

1. Restricted fund balance,
2. Committed fund balance,
3. Assigned fund balance, and
4. Unassigned fund balance.

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use by external parties such as creditors, grantors, or the laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

In those cases where repayment is expected, the advances are accounted for through the various interfund accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted to the Mayor and Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the General Fund and capital outlay funds. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Sales and Use Tax

The Town has a permanent one cent sales and use tax approved by the voters. The tax, after all necessary costs for collection and administration, is available for general purposes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for uncollectible accounts and depreciation.

NOTE 2 - CASH AND INVESTMENTS

The Town may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of December 31, 2013, the Town had no unsecured deposits.

As of December 31, 2013 the Town had a balance of \$1,620,529 invested in LAMP.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pools of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955. The value of the portfolio is carried at amortized cost.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: LAMP is rated AAAm by Standard & Poor's.
- Custodial risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days.

The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value.

For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Investment by the Town in the LAMP pool is considered unclassified as to credit risk provided by GASB Codification Section 150.125 because the investment is in a pool of funds and therefore not evidenced by securities that exist in physical or book form.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name.

NOTE 3 - CONCENTRATION OF CREDIT RISK – ENTERPRISE FUND

Accounts receivable and related user fees from utility customers were comprised largely of residents in the Town. Most customers have made deposits to partially secure their outstanding balance.

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable at December 31, 2013 for the primary government, were as follows:

Primary Government

Utility charges, net	\$	70,559
Ad valorem taxes		37,570
Franchise taxes		<u>16,863</u>
Total primary government	\$	<u>124,992</u>

Due from other governments at December 31, 2013, consisted of the following:

Primary Government

Video poker fees	\$	8,274
Contracts receivable		3,215
Sales and use tax		1,688
Operating grants		1,406
Other		<u>1,580</u>
Total primary government	\$	<u>16,163</u>

NOTE 5 - AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

(Continued)

NOTE 5 - AD VALOREM TAXES (CONTINUED)

All property taxes are recorded in governmental funds, and as explained in Note 1, revenues in governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the taxes assessed for the calendar year falling within the current fiscal year are recorded as revenue. Property taxes are collected by the tax collector during the fiscal year and are therefore available to liquidate liabilities of the current period.

Taxes are levied by the Town in September or October, and are billed to the taxpayers in November. Billed taxes become delinquent on December 31st. Revenues from ad valorem taxes are budgeted in the year assessed. Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year.

For 2013, taxes of 4.78 mills were levied on property with assessed valuations totaling \$7,859,730, and were dedicated to general government. Total taxes levied were \$37,570, with \$37,693 including delinquent taxes from prior years collected.

(Continued)

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2013, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 130,537	\$ -	\$ -	\$ 130,537
Construction in progress	7,741	-	(1,715)	6,026
Total capital assets not being depreciated	138,278	-	(1,715)	136,563
Capital assets being depreciated:				
Buildings	633,571	8,280	-	641,851
Infrastructure	827,659	-	-	827,659
Furniture and equipment	377,706	12,035	-	389,741
Vehicles	224,980	33,859	(23,720)	235,119
Tractors	195,166	781	-	195,947
Total capital assets being depreciated	2,259,082	54,955	(23,720)	2,290,317
Less accumulated depreciation for:				
Buildings	158,218	17,125	-	175,343
Infrastructure	135,637	41,663	-	177,300
Furniture and equipment	261,123	25,104	-	286,227
Vehicles	116,382	40,527	(23,720)	133,189
Tractors	162,730	11,721	-	174,451
Total accumulated depreciation	834,090	136,140	(23,720)	946,510
Total capital assets being depreciated, net	1,424,992	(81,185)	-	1,343,807
Total governmental capital assets, net	\$ 1,563,270	\$ (81,185)	\$ (1,715)	\$ 1,480,370

Depreciation expense was charged to functions of the Town as follows:

Governmental activities:	
General government	\$ 12,222
Public safety	54,238
Highways and streets	31,212
Culture and recreation	38,468
Total depreciation expense - governmental activities	\$ 136,140

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 36,073	\$ -	\$ -	\$ 36,073
Construction in progress:				
Sewer system	2,750,699	16,996	(2,750,699)	16,996
Total capital assets not being depreciated	2,786,772	16,996	(2,750,699)	53,069
Capital assets being depreciated:				
Buildings	88,072	-	-	88,072
Natural gas system	260,475	-	-	260,475
Water system	1,747,295	-	-	1,747,295
Sewer system	679,462	3,813,460	-	4,492,922
Machinery and equipment	118,975	-	-	118,975
Office furniture and equipment	11,506	1,206	-	12,712
Vehicles	63,351	-	-	63,351
Total capital assets being depreciated	2,969,136	3,814,666	-	6,783,802
Less accumulated depreciation for:				
Buildings	34,857	3,347	-	38,204
Natural gas system	159,327	7,970	-	167,297
Water system	947,265	71,130	-	1,018,395
Sewer system	54,326	52,899	-	107,225
Machinery and equipment	108,617	5,617	-	114,234
Office furniture and equipment	10,863	436	-	11,299
Vehicles	63,351	-	-	63,351
Total accumulated depreciation	1,378,606	141,399	-	1,520,005
Total capital assets being depreciated, net	1,590,530	3,673,267	-	5,263,797
Total business-type capital assets, net	\$ 4,377,302	\$ 3,690,263	\$ (2,750,699)	\$ 5,316,866

(Continued)

NOTE 7 - LONG-TERM DEBT

In 2012, the Town issued \$3.7 million in sewer revenue bonds to fund the construction of a wastewater treatment facility. The bonds are secured by a pledge of sewer revenues through 2033. The Town draws on the related proceeds as contractors present authorization for payment similar to a construction loan. The construction of Phase 1 of the project was substantially completed in October 2013, with principal repayment to begin in May 2014. The outstanding balance as of December 31, 2013 was \$3,481,699.

The estimated annual debt service requirements to amortize the bond issuance obligation, based on an interest rate of 0.45% and administrative fees payable to the Louisiana Department of Environmental Quality (DEQ) of 0.50%, are as follows:

Year	Sewer Revenue Bonds			Total
	Principal	Interest	DEQ Fees	
2014	169,000	14,959	24,719	208,678
2015	170,000	14,196	31,546	215,742
2016	172,000	13,426	29,836	215,262
2017	174,000	12,648	28,106	214,754
2018	175,000	11,863	26,361	213,224
2019-2023	902,000	47,271	105,050	1,054,321
2024-2028	946,000	26,487	58,860	1,031,347
2029-2033	992,000	5,346	12,603	1,009,949
	<u>\$ 3,700,000</u>	<u>\$ 146,196</u>	<u>\$ 317,081</u>	<u>\$ 4,163,277</u>

Bond Restrictions

Sewer Revenue Bond - Series 2012 – Debt Service Fund to be used for the payment of principal and interest on outstanding bonds as they are due and payable. Monthly payments are to be equal to the sum of one-sixth of interest and administrative fees falling due on the next interest payment date and one-twelfth of principal falling due on the next principal payment date.

Sewer Revenue Bond – Series 2012 - Reserve Fund to be used for the payment of principal and interest on bonds payable from the Bond Sinking Funds, as to which there would otherwise be default. The sum of \$102,000 for Series 2012 has been deposited therein for this requirement.

Sewer Revenue Bond – Series 2012 – Depreciation & Contingency Fund to be used for the payment of extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. Monthly deposits are to be equal to the sum of 5% of the net revenues of the preceding month, provided the sum is available, until \$130,000 has accumulated in the fund.

NOTE 8 - PENSION PLAN

Plan Description

All full-time police department employees engaged in law enforcement are required to participate in the Municipal Police Employees Retirement System of Louisiana ("System"), a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Employees who retire after at least 25 years of creditable service, or at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.33% of their final-average salary for each year of creditable service, not to exceed 100%. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana, 70809-2250, or (225)929-7411.

Funding Policy

Plan members are required by state statute to contribute 10 percent of their annual covered salary and the Town of Livonia is required to contribute at an actuarially determined rate of 31 percent as of December 31, 2013. The contribution requirements of plan members and the Town of Livonia are established by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town had contributions of approximately \$95,200, \$95,100 and \$84,200 during 2013, 2012, and 2011, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

At December 31, 2013, the Town had outstanding commitments resulting from construction contracts in progress of \$335,600.

(Continued)

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or in the past three years.

Grants

The Town receives federal and state grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the Town management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Town offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, permitting them to defer a portion of their salary until future years. The Plan is administered by The Hartford Financial Services Group, Inc.

Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the Plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries.

As required, the Town established an agreement with a third party administrator (Hartford) who held assets of \$258,234 of the Plan at December 31, 2013.

The Town has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement governments who have no responsibility for the plan and are not formally considered the Plan's trustee are not required to report the plan in its financial statements. Since the Town Plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the Town's financial statements.

NOTE 11 - INTERFUND TRANSFERS

The interfund transfers of the primary government at December 31, 2013 were as follows:

Individual Fund	Transfers In	Transfers Out
Primary Government:		
Governmental-type activities:		
General Fund:		
Parks and Recreation Fund	\$ -	\$ 15,000
Municipal Complex Fund	-	50,000
Utility Fund	-	120,000
Total General Fund	-	185,000
Parks and Recreation Fund:		
General Fund	15,000	-
Municipal Complex Fund:		
General Fund	50,000	-
Total governmental-type activities	65,000	185,000
Business-type activities:		
Public Utility Fund:		
General Fund	120,000	-
Total primary government	\$ 185,000	\$ 185,000

NOTE 12 - COMPENSATION OF GOVERNING BODY

During 2013, Council members and the Mayor received compensation as follows:

Mayor - Troy Chustz	\$ 13,000
Council Members	
James Bergeron	6,000
Joseph Davidson	6,000
John Jarreau	6,000
Barbara LeJeune	6,000
James Pourciau	6,000
Total	\$ 43,000

NOTE 13 - SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which was the date the financial statements were available to be issued.

TOWN OF LIVONIA, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF LIVONIA, LOUISIANA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Taxes:				
Sales	\$ 300,000	\$ 278,000	\$ 279,146	\$ 1,146
Video poker	130,000	95,000	\$ 95,121	121
Franchise	69,700	65,465	69,886	4,421
Ad valorem	38,000	38,000	37,693	(307)
Beer	2,430	3,650	3,675	25
Fines	609,150	531,268	518,432	(12,836)
Intergovernmental	203,000	42,200	42,200	-
Licenses and permits	75,000	78,960	78,229	(731)
Charges for services	11,523	11,179	11,164	(15)
Investment income	1,556	958	697	(261)
Total revenues	<u>1,440,359</u>	<u>1,144,680</u>	<u>1,136,243</u>	<u>(8,437)</u>
EXPENDITURES				
Current function:				
General government	164,942	158,501	157,715	786
Public safety	713,888	686,316	705,719	(19,403)
Highways and streets	188,448	178,309	180,456	(2,147)
Health and welfare	1,500	1,500	1,577	(77)
Capital outlay	199,300	42,104	42,903	(799)
Total expenditures	<u>1,268,078</u>	<u>1,066,730</u>	<u>1,088,370</u>	<u>(21,640)</u>
Excess of revenues over expenditures	<u>172,281</u>	<u>77,950</u>	<u>47,873</u>	<u>(30,077)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	5,000	-
Proceeds from insurance claims	300	425	425	-
Transfers out	<u>(200,000)</u>	<u>(185,000)</u>	<u>(185,000)</u>	-
Total other financing sources uses	<u>(194,700)</u>	<u>(179,575)</u>	<u>(179,575)</u>	-
Net change in fund balance	<u>\$ (22,419)</u>	<u>\$ (101,625)</u>	<u>(131,702)</u>	<u>\$ (30,077)</u>
FUND BALANCE				
Beginning of year			<u>1,083,372</u>	
End of year			<u>\$ 951,670</u>	

TOWN OF LIVONIA, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended December 31, 2013

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the general fund, special revenue funds, capital project funds and enterprise fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the Town's funds budgets are prepared on the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2013. The Town's basis of budgetary accounting follows generally accepted accounting principles.

**TOWN OF LIVONIA, LOUISIANA
MUNICIPAL COMPLEX CONSTRUCTION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Investment income	\$ 700	\$ 275	\$ 276	\$ 1
OTHER FINANCING SOURCES				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 50,700</u>	<u>\$ 50,275</u>	<u>50,276</u>	<u>\$ 1</u>
FUND BALANCE				
Beginning of year			<u>472,814</u>	
End of year			<u>\$ 523,090</u>	

**TOWN OF LIVONIA, LOUISIANA
PARKS AND RECREATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance - positive (negative)
REVENUES				
Charges for services	\$ 9,975	\$ 10,275	\$ 7,935	\$ (2,340)
Investment income	<u>15</u>	<u>7</u>	<u>8</u>	<u>1</u>
Total revenues	<u>9,990</u>	<u>10,282</u>	<u>7,943</u>	<u>(2,339)</u>
EXPENDITURES				
Culture and recreation	20,700	19,765	20,612	(847)
Capital outlay	<u>18,600</u>	<u>6,565</u>	<u>6,565</u>	<u>-</u>
Total expenditures	<u>39,300</u>	<u>26,330</u>	<u>27,177</u>	<u>(847)</u>
Deficiency of revenues over expenditures	(29,310)	(16,048)	(19,234)	(3,186)
OTHER FINANCING SOURCES				
Transfers in	<u>30,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 690</u>	<u>\$ (1,048)</u>	<u>(4,234)</u>	<u>\$ (3,186)</u>
FUND BALANCE				
Beginning of year			<u>6,346</u>	
End of year			<u>\$ 2,112</u>	

TOWN OF LIVONIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF LIVONIA, LOUISIANA

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2013

Grantor/State Pass-through/ Program name/ <u>Location of Project</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Grant Amount</u>	<u>Federal Expenditures</u>
Environmental Protection Agency/Office of Water/ Louisiana Department of Environmental Quality * Clean Water State Revolving Fund/Sewer Phase I Project	66.458	Loan No. 221435-01	\$ <u>3,700,000</u>	\$ <u>1,040,032</u>

TOWN OF LIVONIA, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Town's Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs of the Town. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed-through other government agencies is included on the schedule.

Basis of Accounting

The Town's Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2013.

SPECIAL INDEPENDENT AUDITORS' REPORTS

For the year ended December 31, 2013



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (TOWN)** as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. These findings are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

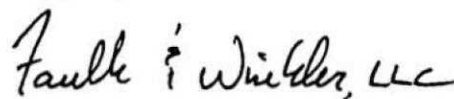
The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Town Council and management, the Louisiana Legislative Auditor, and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
May 22, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

Report on Compliance for Each Major Federal Program

We have audited **TOWN OF LIVONIA, LOUISIANA's (the Town)** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Town's major federal programs for the year ended December 31, 2013. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Clean Water State Revolving Fund

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

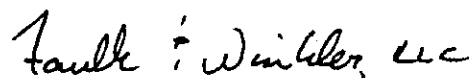
Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Baton Rouge, Louisiana
May 22, 2014

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2013

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2013-1 and 2013-2.**
Material weaknesses: **None.**
- C) Noncompliance that is material to the financial statements: **None.**
- D) Significant deficiencies in internal control over major programs: **None.**
- E) The type of report issued on compliance for major programs: **Unmodified opinion.**
- F) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **None.**
- G) Major Programs:
Environmental Protection Agency/Office of Water
Louisiana Department of Environmental Quality
Clean Water State Revolving Fund/Sewer Phase 1 Project
C.F.D.A. #66.458
- H) Dollar threshold to distinguish between Type A and Type B programs: **\$300,000.**
- I) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No.**

- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2013-1 and 2013-2.**
- 3) Findings and questioned costs relating to federal awards: **None.**

TOWN OF LIVONIA, LOUISIANA

SUMMARY OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2013

4) FINDINGS – FINANCIAL STATEMENT AUDIT

2013-1 Preparation of Financial Statements

Criteria: The Town does not maintain a system of internal controls over reporting to ensure that external financial statement presentation and footnote disclosures are in conformity with generally accepted accounting principles.

Observation: The Town relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Town's internal control structure; however, design of the internal control structure does not otherwise include procedures to prepare internal financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Recommendation: Since the Town is satisfied with using its auditing firm to prepare the external financial statements, no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: Management understands that this deficiency results from professional standards that have been adopted by the accounting profession. The Town generates the appropriate financial information to effectively manage and plan operations in a timely manner and does not consider their current situation to be deficient. However, management will review the resources necessary to prepare financial statements in accordance with generally accepted accounting principles, with full footnote disclosures, to determine if it would represent responsible stewardship.

2013-2 Segregation of Duties

Criteria: Duties within the Town's financial reporting process should be segregated between different individuals to ensure effective internal control over financial reporting.

Observation: There is not sufficient segregation of duties to have effective internal control over financial reporting. The finding results from the small number of Town personnel involved in the financial reporting process, which restricts meaningful segregation of duties.

Recommendation: We recommend that the Town continue the current process of:

- Obtaining the Mayor's approval for all Town disbursements,
- The unopened monthly bank statement (including all cancelled checks) be reviewed by the Mayor,
- The Mayor review the related bank reconciliations,

- The Mayor and Town Council review the Town's financial statements, on a monthly basis with comparison to budgeted amounts. Furthermore, a listing of monthly cash disbursements be reviewed along with the monthly financial statements.

Management's corrective action plan: Due to the size of the Town, the achievement of adequate segregation of duties is desirable to management but is cost prohibitive. However, the Mayor approves all disbursements of the Town within the range of the council approved budget, except for those disbursements within the designated Police Department budget which are approved by the elected chief of police. All check disbursements are to have dual signatures.

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2013

2012-1 Preparation of Financial Statements

This finding has been reclassified as 2013-1.

2012-2 Segregation of Duties

This finding has been reclassified as 2013-2.

2012-3 Compliance with State Cash Management Law (Resolved)

In 2012, the Town had \$56,000 in cash bank balances uncollateralized at year end. The Town's deposits are now sufficiently collateralized. This finding is considered resolved.

2012-4 Cash Management (Resolved)

In 2012, there was one instance in which federal funds received for capital projects were not disbursed to vendors in a timely manner (within three business days). All federal funds were disbursed to vendors in a timely manner in the current year. This finding is considered resolved.